



02 HOUSING AFFORDABILITY

GUIDING PRINCIPLE: PRESERVATION OF HOUSING AFFORDABILITY AND DIVERSITY IN THE ROUTE 1 SOUTH AREA

Providing housing affordability and opportunity for people of all incomes, abilities, and stages of life is at the core of the City's 2013 Housing Master Plan and is a cornerstone of Alexandria's commitment to diversity as articulated in the City's Strategic Plan. It is the foundation of household stability and well-being. Children have better educational outcomes when they live in housing that is stable and healthy. Seniors and others on fixed-incomes have opportunities to remain and age safely in homes that are affordable, accessible and secure.

Housing affordability is also critically important to the city's economic vitality and competitiveness. Businesses look for a diverse and stable local workforce when deciding whether to locate, remain, or expand their operations in the city. Individuals who live in housing that is affordable tend to be longer-term employees because they do not move as frequently or face extended unpredictable commutes with limited transportation options. Businesses, in turn, benefit by having a more reliable workforce and lower training costs due to reduced turnover.

Additional information about affordable housing, including definitions of terminology, can be found in Appendix A.2.

WHAT IS AFFORDABLE HOUSING?

30%

affordable home

one that costs a household or family no more than 30% of its gross monthly income.

Housing Cost Burdened

A household that spends more than 30% of its gross income on housing and housing related costs such as utilities, property taxes, and insurance.



Family of Four

Full time retail worker, full time dental assistant, and two dependents



Seniors or Persons with Disabilities

Individuals living on SS/SSI



Family of Two

Full time City Librarian II + dependent



Full-time Single Worker

Childcare provider

annual income needed to afford average 1-bedroom in the city in 2018

\$68K

annual income needed to afford average 2-bedroom in the city in 2018

\$89K

AFFORDABLE HOUSING TRENDS 2010-2018

Increase in HUD Median Income in Washington Metro Area

42%

Increase in Average Rent for 2-Bedroom in City

104%

Increase in Average Assessed Value of Residential Property in City

187%

WHAT IS AFFORDABLE HOUSING?

An affordable home is typically defined as one that costs a household or family no more than 30% of its gross monthly income. This threshold is important for low- to moderate-income Alexandrians, because housing affordability reduces the likelihood that a household may have to decide between paying the rent or paying for other necessities such as groceries, healthcare, transportation or daycare, or investing in education and savings.

Affordable rental housing serves a wide range of Alexandrians, from those on fixed incomes, including seniors and persons with disabilities, to working families earning up to 60% of the area median income (or \$70,000 for a household of four).



\$53,026

Starting salary of ACPs teacher with Bachelor's Degree

Source: ACPs 2017-2018 Teacher Salary Scale



\$47,862

Starting salary of City Police Officer (Level 1) Degree

Source: City of Alexandria, 2018

HOUSING AFFORDABILITY IN ALEXANDRIA AND THE REGION

Like many communities across the region and country, the city is facing a worsening shortage of affordable housing fueled by rising rents, stagnating wages coupled with job growth in lower-wage sectors (such as retail, hospitality, and healthcare), and limited federal housing funding to maintain existing housing stock and/or subsidies.

The city's market affordable inventory—historically its primary source of housing diversity—has shrunk by approximately 16,000 units, or 88%, between 2000 and 2018 while its stock of committed affordable units has experienced only limited change. During the same period, the average rent for a 2-bedroom unit in the city has doubled and the average residential assessment has almost tripled, while the region's median income has increased only 42%.

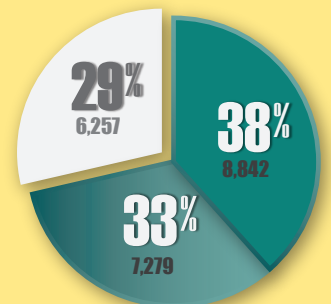
This widening gap has magnified the housing-cost burden of many low- to moderate-income Alexandrians. More than 15,500 low- to moderate-income households earning less than \$75,000/year spend 30% or more on housing-related costs. Housing cost burden is particularly acute for renters earning less than \$50,000/year. 7,000 of these households spend half or more of their income on housing-related expenses.

more than 2/3 of low- to moderate-income alexandrians are housing cost burdened

Housing costs account for 30 - 49.9% of income

Housing costs account for 50% or more of income

Housing costs account for less than 30% of income



OTW

olde
towne
west III

3 Parcels

75

committed
affordable
rental units

0-40%

AMI

- Owned by Alfred Street Baptist Church
- Section 8 Project-Based Voucher Contract
- Administered by Virginia Housing Development Authority (VHDA)

Affordability Contracts:

Scheduled expiration in late 2019/early 2020



- Contracts can serve renters with incomes up to 80% AMI per HUD
- Mix of (28) 1-bedroom, (12) 2-bedroom, (29) 3-bedroom units, and (6) 4-bedroom



- 1 mid-rise building
- 12 garden-style apartment buildings
- Contracts can serve renters with incomes up to 80% AMI per HUD
- Mix of (174) 1-bedroom, and (70) 2-bedroom units

HOT

the
heritage at
old town

~3 Blocks

140

committed
affordable
units

0-40%

AMI

104

market-rate
units

65-70%

AMI

- Owned by ARES Commercial Real Estate Corporation
- Section 8 Project-Based Voucher Contract
- Administered by U.S. Department of Housing and Urban Development (HUD)

Affordability Contracts:

Annual renewal

HOUSING OPPORTUNITY IN THE SOUTHWEST QUADRANT

The Southwest Quadrant (SWQ) has historically offered a range of housing options. However, as the desirability of the area and regional demand for housing has increased, housing costs have been escalating, pricing out Alexandrians. For example, the market units at The Heritage at Old Town are now affordable to those earning 65% of the area median income (AMI) up from 55% AMI a decade ago. Incomes needed to affordably rent an average one-bedroom at the Clayborne Apartments exceed \$100,000, while incomes needed to afford a one-bedroom at Gunston Hall or in the apartment buildings along S. Alfred, Green, and Jefferson Streets reach \$56,000/year, higher than the starting salaries of City teachers and police officers. These trends help illustrate the critical role that the 215 deeply affordable rental units within The Heritage at Old Town and Olde Towne West III play in maintaining the area’s economic, social, and cultural diversity.



Olde Towne West III



The Heritage at Old Town



average median
assessment for single-family
residential units in SWQ



average median
assessment for residential
condominiums units in SWQ

Source: Office of Real Estate Assessments,
January 2018

PROJECT-BASED (SECTION 8)
VOUCHER CONTRACTS

Funded by the federal government, project-based housing vouchers (PBVs) are a critical source of deeply affordable housing. They constitute approximately 30% of the city’s committed affordable rental housing stock. Residents pay 30% of their income toward the rent, and the PBV pays the difference up to an established fair market rent, as well as some utility costs. PBVs operate similarly to housing choice vouchers (“Section 8”), but are tied to a specific property rather than a household. PBV contracts typically have 20-year term of affordability with varying options to renew or extend for specific periods of time.

In the city, some PBVs are administered by the Alexandria Redevelopment Housing Authority (ARHA), while others such as The Heritage at Old Town and Olde Towne West III, are administered through contracts managed directly by U.S. Department of Housing and Urban Development (HUD), the Virginia Housing Development Authority, or other agencies.

\$2,514 - \$3,075

Average 1- and 2- bedroom rents
at the Clayborne, a multi-family
property built in 2008 in the
Southwest Quadrant

Source: Office of Housing, Point in Time
Survey, January 2018

IMPORTANCE OF PLANNING NOW

There are currently 215 committed affordable units within the Heritage at Old Town and Olde Towne West III that serve low-to moderate-income individuals and families, including seniors and others on fixed incomes, through federal housing assistance contracts (referred to as project-based voucher contracts) that have ensured their affordability for over three decades. These contracts make the units deeply affordable by subsidizing rents for households with incomes typically between 20% and 40% AMI (or between \$16,000-\$54,000 depending on household size).

The rental subsidy contracts for the 140 committed affordable units at The Heritage at Old Town are subject to voluntary annual renewals pending the owner's assessment of the property's performance. The contract for the 75 committed affordable units at Olde Towne West III is scheduled to end in late 2019 or early 2020. Having a plan in place to guide the contracts' preservation within the neighborhood is critical to working with the Department of Housing and Urban Development (HUD) to extend its commitment.

Without proactive, strategic and inclusive planning and implementation, the affordability of these units will be permanently lost if their property owners choose to redevelop and/or opt out of the contracts. This will cause the displacement of the existing 215 families that live in the properties, as well as exacerbate the city's affordable housing shortage, reduce its inventory of family-sized units, and shrink its number of deeply-affordable units.

This Strategy responds to a singular opportunity for the City to work with all stakeholders, including the multifamily property owners who have participated in developing the Strategy, to proactively establish a plan that will enable these owners to preserve both the number and levels of affordability of the committed affordable units. Successful preservation will involve the long-term renewal of the rental subsidy contracts and replacement of the existing affordable units through redevelopment and/or rehabilitation with limited need for city gap financing.



In 2014, 76 affordable units were lost at Parkwood Court (now 101 North Ripley). The property owner opted out of renewing the project-based contract for the property.

THE ECONOMICS OF HOUSING AFFORDABILITY

The following scenarios highlight the stark differences – both in terms of impacts to residents and economic costs to the City – that different approaches to housing affordability preservation carry.

Scenario 1:

In this scenario, the multifamily properties redevelop under existing zoning anticipated to be market-rate townhomes to capitalize on strong market demand and high land values, and maximize value and return on investment. The committed affordable units that exist now are permanently lost, resulting in

the displacement of 215 households and the erosion of housing diversity and affordability in the Southwest Quadrant. The cost to the City to replace the committed affordable units off-site and maintain the deep level of affordability over 20 years is estimated at \$43-\$72 million. This overwhelming level of investment would preclude all other City investment in affordable housing for the next 5-10 years. The success of this scenario also hinges on the availability of highly competitive tax-credit financing and scarce developable land in neighborhoods with comparable access to services, jobs, and transit.

Scenario 2:

In this scenario, the multifamily properties are “repositioned” through redevelopment at existing levels of density or renovation, and the rental subsidy contracts are lost. Partial displacement of existing residents occurs due to the anticipated loss of family-sized units. The cost to the City to maintain affordability of the units on-site (if the owners were willing to accept subsidies and forego higher returns) is estimated at \$72-\$98 million over 20 years. This level of investment is prohibitive and would stifle all other City investment in affordable housing for the next 10-15 years.

Scenario 3:

Scenario 3: In this scenario, the committed affordable units are replaced on-site through redevelopment involving additional density and height. Rental subsidy contracts and housing affordability are preserved without sacrificing project returns, and all eligible residents have the opportunity to return to the community. Limited City gap financing could be provided to enhance the sustainability of the new mixed-income communities, to incorporate on-site community amenities, or to assist current low-to-moderate-income residents of the existing 104 market-rate units to afford to return to the neighborhood.

PRESERVING AND CREATING AFFORDABLE HOUSING

SCENARIO

Renovate or redevelop under existing zoning. Federal rental subsidies are lost. Affordable units are replaced off-site.

01

Permanent Displacement

yes



On-site Density

Land Needed
(min. 3-4 acres)

~ \$6.5
15M

Competitive Funding needed

~ \$40
60M

City Gap Funding

~ \$17
20M

City Operating Subsidy*

~ \$26
52M

TOTAL CITY \$
\$43 - 72M

SCENARIO

Renovate or redevelop under existing zoning. Federal rental subsidies are lost. City subsidizes market-rate units on-site to maintain affordability.

02

Permanent Displacement

partial



On-site Density

Land Needed
(min. 3-4 acres)



Competitive Funding needed



City Gap Funding



City Operating Subsidy**

\$72
98M

TOTAL CITY \$
\$72 - 98M

SCENARIO

Affordable units are replaced by developer on-site through redevelopment with additional density. City investment limited to gap financing.

03

Permanent Displacement

no



On-site Density

Land Needed
(min. 3-4 acres)



Competitive Funding needed

~ \$0
15M

City Gap Funding

~ \$0
10M

City Operating Subsidy



TOTAL CITY \$
\$0 - 10M

* City subsidy under Scenario 1 subsidy from 60% to 20-40% AMI for 20 years

** City subsidy under Scenario 2, subsidy from 100% to 20-40% AMI for 20 years

Preserving and creating affordable housing is essential to fostering successful mixed-income communities. It involves a complex and lengthy process that relies on partnerships, multilayered financing and leveraging of non-City resources, as well as the use of regulatory tools.

Partnerships

Collaborative, long-term partnerships are essential to preserving and developing sustainable affordable housing. City support for and investment in affordable projects (in the form of technical support, gap financing, and/or public land) helps leverage other public and private funding and tax-credit equity and facilitate relationships between non-profit affordable housing providers, faith-based institutions, and market-rate developers.

Multilayered Financing

There is a widening gap between market rents and what low- to moderate-income households can afford to pay for housing. Due to this gap, conventional lenders cannot lend the full amount needed to acquire or develop affordable housing projects that have capped rents because their rental revenue stream will not cover the cost of loan repayment. Based on what can be repaid, alternative funding sources need to be incorporated into affordable housing deals to close the gap between what a lender will finance and the actual cost of the project. These include tax credit equity, federal and state funding and grants (including state and federal Housing Trust Fund), and City gap investment.

Regulatory Tools

The City's primary tool to create affordable housing through the development process is Section 7-700 of the Zoning Ordinance, commonly referred to as the Bonus Density and Height Program. Outside of the 7-700 framework, additional opportunities for affordable housing may be created when an application for a rezoning is proposed as part of the implementation of a small area plan. In the case of this Strategy, rezoning to permit additional density and height flexibility is recommended as the incentive to

\$425K

estimated cost to construct an affordable unit in the city in 2018

\$125K

estimated cost to renovate and preserve an affordable unit in the city in 2018



St. James Plaza



Beasley Square

The City has a long history of facilitating and supporting affordable housing partnerships.

WHAT IS THE TERM OF AFFORDABILITY FOR COMMITTED AFFORDABLE UNITS?

The standard length of the term of affordability for City-assisted affordable housing projects and for projects involving bonus density (Section 7-700 of the Zoning Ordinance) is 40 years. Housing projects with HUD-funded Housing Assistance Payments (HAP) contracts (such as The Heritage at Old Town and Olde Towne West III) typically carry a maximum term of 20 years. The City will work with each of the property owners in advance of contract expiration to renew or extend their contracts to maintain the deep levels of affordability they provide to residents to potentially align with the typical 40-year term.

encourage long-term committed affordable housing, specifically the retention of the 215 existing deeply-affordable units.

In the case of The Heritage at Old Town and Olde Towne West III, development economics (the overall number of units required to be developed, including market rate units, to retain/replace and operate 215 deeply affordable units within a mixed-income community) require a level of density that is greater than what could likely be generated through the application of Section 7-700. The only viable alternative is to grant the property owners additional density, paired with some added height, to retain the committed affordable units without sacrificing project returns or high-quality design and other community-serving amenities. This would also minimize the need for City funding expended for housing at these sites, allowing scarce public resources to be invested in services and infrastructure that serve the community, and in expanding housing affordability and diversity in other parts of the city.

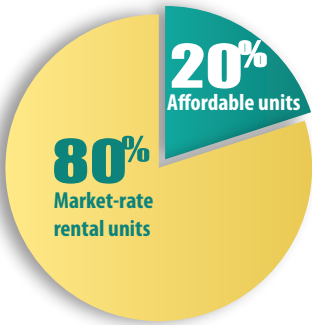
Preserving Affordability through Zoning Incentive Increases in Density

The ratio of market-rate to affordable units needed to finance (build) and sustain a project is a function of many variables: unit tenure (rental versus for-sale) of both the affordable and market-rate housing; unit affordability and size; investor objectives, return, and timing; market conditions, including land values; and level of available city investment for housing. Typically, the higher the ratio, the lower the demand for city gap financing. When needed, City assistance is traditionally issued in the form of below-market interest loans, and is repaid from property cash flow, over time.

Based on land values and market conditions current at the time, the 2008 Braddock East Master Plan indicated that approximately 1.8-2.5 market-rate for-sale units would be required to span

the funding gap to replace each public housing unit, along with tax credit equity and short-term City bridge funding. The City's experience at Chatham Square and, subsequently, at Old Town Commons have supported this ratio when paired with public financing. Rental projects, however, have historically required higher ratios to generate desired returns. For example, Foxchase Alexandria, an established privately-owned 2,113-unit rental community at Duke and North Jordan streets, has 423 affordable units, for a four-to-one ratio of market to affordable units. Recent analysis of a redevelopment concept for the Andrew Adkins site at Braddock Metro revealed a ratio of greater than five market-rate rental units to one affordable unit. Other rental projects have combined added density with multilayered financing to both preserve and expand housing opportunity. One example is Ramsey Homes, a 52-unit redevelopment on North Patrick Street. To help preserve 15 deeply affordable public housing units, this project is constructing 37 additional rental units at higher levels of affordability with tax-credit equity and City gap funding of \$3.6 million.

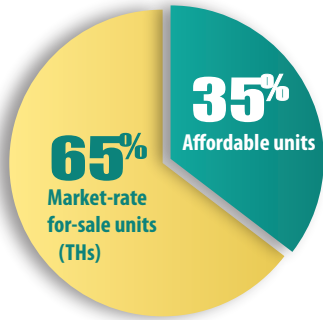
FOXCHASE



4:1 Ratio



OLD TOWN COMMONS

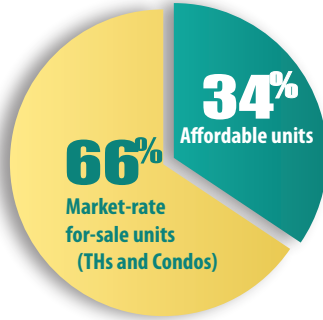


2:1 Ratio

- included City Gap Financing



CHATHAM SQUARE



2:1 Ratio

- included City Gap Financing

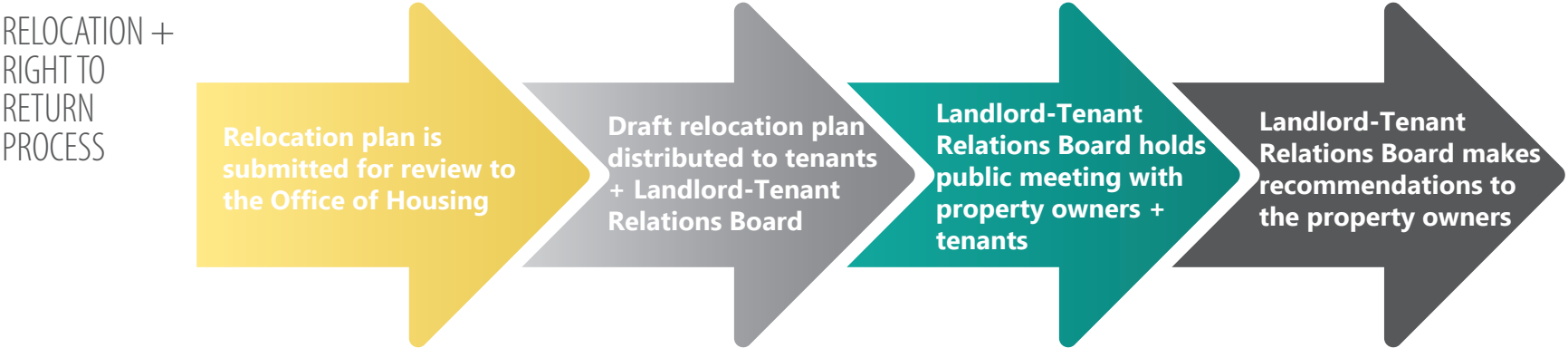


WHAT ARE MIXED-INCOME COMMUNITIES?

Mixed-income communities, which serve a broad range of incomes, life stages, and abilities, can occur within a single building, a series of properties, and across entire neighborhoods. Successful mixed-income communities feature shared open spaces and community amenities, properly trained and proactive property management, inclusive neighborhood associations, and services and programs tailored to the needs of lower-income residents. These elements all contribute to the viability and cohesion of true mixed-income communities.

RELOCATION AND THE RIGHT TO RETURN

The City is committed to working with property owners and current residents to minimize the adverse impacts on current residents, including length of displacement, resulting from redevelopment of the Route 1 properties. All eligible residents (i.e., tenants in good standing) will have the opportunity to return to the community after redevelopment and will receive support to adjust to their temporary relocation (including tenant protection vouchers if made available by HUD, moving assistance, and coordination with city agencies, including Alexandria City Public Schools (ACPS) to mitigate disruption). Consistent with the City’s relocation policy, property owners will provide relocation advisory services to displaced tenants, a minimum of 120 days written notice, and moving expense payment. To inform further planning regarding future housing and relocation needs, this Strategy recommends that, in collaboration with the property owners, a survey of residents of the multifamily properties be undertaken as soon as possible. The Beauregard Small Area planning process provides an excellent model for this effort.



Development applications that involve displacement must be accompanied by a relocation plan. Following review by the Office of Housing, each relocation plan is distributed to impacted tenants and to the Landlord-Tenant Relations Board. The Board, a City Council-appointed public body, is required to hold a public meeting with the owners and tenants to review the plan, and make recommendations on the plan in consultation with the property owners or managers.

RECOMMENDATIONS

The Heritage at Old Town and Olde Town West III

1. Use additional density and height, including the strategic use of Section 7-700, as a tool to ensure, at a minimum, that all existing 215 committed affordable units at The Heritage at Old Town and Olde Towne West III can be rebuilt on site.
2. Rezoning(s) for the designated redevelopment sites will be considered based on the project's ability to provide the recommended committed affordable units in exchange for the additional density provided in the rezoning, as well as the streetscape, open space, and mobility improvements to achieve the goals and recommendations of the Strategy.
3. Explore and leverage partnerships and financial and other incentives and City gap investment, to preserve and expand housing affordability in the community and to enable properties to redevelop as mixed-income communities serving a broad spectrum of incomes.
4. Retain the current levels of affordability by working with property owners to extend their federal rental subsidy contracts.
5. Require long-term affordability in the committed affordable units.
6. Provide a mix of unit types to meet current and future community need.
7. Ensure eligible residents have a right to return to the community after redevelopment and receive support and assistance to mitigate impacts of temporary relocation (including financial and moving assistance, as well as

coordination with ACPs, Department of Community and Human Services (DCHS), and other City agencies).

8. Collaborate with the property owners to conduct a survey of residents to prepare for each property's future relocation and return process.
9. Enhance access to City and community resources, including workforce development, housing counseling (including homeownership readiness), and training, to build self-sufficiency and well-being, through collaboration with the Office of Housing and other City agencies.
10. Include shared community resource spaces and gathering places when feasible, and ensure equal access for all residents to community amenities on site.

All Properties:

11. Incorporate accessibility, visitability and universal design features, when feasible, to enable residents to remain and age safely in the community and to ensure new homes are accessible to individuals regardless of their physical abilities.
12. Incorporate energy efficiency and green building elements when feasible, to lower housing costs for residents and enhance the quality and health of interior living environments.



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